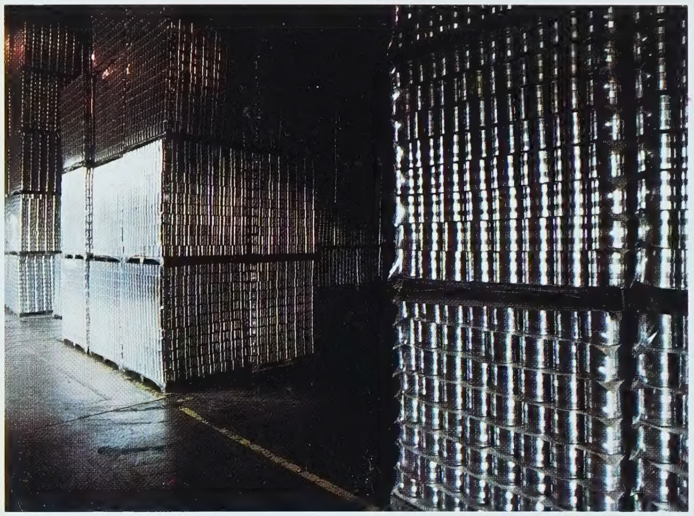
GREEN GIANT

1976

Annual Report

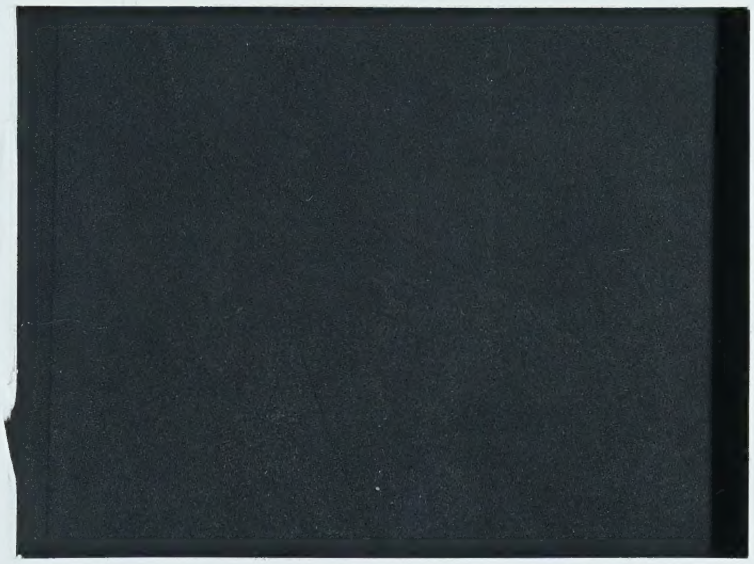


By assigning the management of its can manufacturing facilities to a major container producer, Green Giant lowered working capital requirements substantially.

Green Giant's new four-row corn picking machines enable growers to plant narrower, 30-inch rows of corn. This increases yield-per-acre and improves productivity.

Improved labor utilization at Green Giant's Watsonville, Calif., plant reduced broccoli production costs over 25 percent. Bob Schaffer (left), regional production manager, monitors productivity with Ben Hill, plant superintendent.

Automatic corn husking machines were installed at two more processing facilities during the year. The new machines improve productivity by eliminating the hand- feeding of older style huskers.



Improved control of inventories is being aided by increased use of computer-based information systems. Tony Throldahl, director of planning and support for Information Services, reviews a graphic printout from an automatic plotter which converts data into picture form.

Financial Highlights

(Dollar amounts in thousands)

Operations For The 12 Months Ended	May 29, 1976	March 31, 1975
Net Sales	$455,388	417,206
Net Earnings	5,718	9,399
Dividends	4,740	4,240
Net Earnings Per Common Share	1.26	2.37
Dividends Per Common Share	1.08	1.08
At Year-End		
Working Capital	125,837	124,971
Total Debt	85,449	129,095
Shareowners' Equity	110,664	103,430
Shareowners' Equity Per Common Share	24.29	24.40
Number of Common Shareowners	9,748	9,616
Average Number Shares Outstanding	3,681	3,642

Note: Effective with the current year, Green Giant's fiscal year-end has been changed from March 31 to the last Saturday in May.

Contents

Scope of Business
Green Giant Company is a processor and marketer of food products, including canned and frozen vegetables, and processed and frozen meats. The company also operates two restaurant chains in several states.

Transfer Agent, Registrar and Dividend Reinvestment Agent
First National Bank of Minneapolis, 120 So. Sixth St., Minneapolis, Minn. 55402. Tel. No. 612-370-4606

Annual Meeting Notice
The annual meeting of Green Giant shareowners will be held at 10 a.m., local time, on Friday, September 24, 1976, in The Radisson South Hotel, 7800 Normandale Blvd. (intersection Hwys. 494 and 100), Bloomington, Minn. A formal notice of the meeting is being mailed to shareowners of record with the proxy statement and proxy.

Shareowner Inquiries
Financial statements of Green Giant Company and copies of Form 10K, which is the official annual report of the company to the Securities and Exchange Commission, are available upon request and without charge. Please write: Green Giant Company, Hazeltine Gates, Chaska, Minn. 55318. Tel. No. 612-448-2828.

Common and Series D Preference Shares
Listed on the New York Exchange. Trading symbol: GG

To Our Shareowners and Employees

Thomas H. Wyman *Robert C. Cosgrove*

By most of the traditional and visible indices, fiscal 1975-76 was not a successful year for Green Giant. The results were disappointing against our rather optimistic expectations as the year began.

Sales increased to a record $455 million, but we must recognize that the gain related primarily to inflationary price changes. Unit volume for Green Giant Brand canned and frozen vegetables was unchanged, reflecting slow consumer demand during the late stages of the intense inflation/recession cycle.

It is a sobering responsibility to report the decline in earnings to $5.7 million or $1.26 per share. Disappointing sales results, a very competitive marketplace and extremely unfavorable growing conditions in Minnesota and Wisconsin penalized our earnings. The performance of the respective divisions will be reviewed in the body of this report.

Operating results in Canada, restaurant operations and Schweigert Meat Company were excellent. U.S.A. Grocery Products, Food Service, Europe and the Copeland Sausage operation were well below plan.

In spite of the poor earnings performance, fiscal 1975-76 was a most successful year in several important ways. It was a year of intense introspection and considerable change. Goals were redefined and a number of specific steps taken to ensure their achievement. A number of organizational changes have been made. Overhead expenses have been cut sharply. Tight cost controls have been implemented. There is an important focus on monitoring performance against a set of well-defined objectives. A serious measure of professional business management has been added to the charm and quality of the Green Giant's valley — and it is working.

A primary effort over the past year has been made to improve our financial position. It is gratifying to be able to call your attention to significant improvements on the balance sheet at fiscal year-end. A major effort to reduce inventories and the agreement with American Can Company to operate our can production facilities have reduced our financing debt by $28.3 million. A successful $37 million private placement financing was completed, including $7 million in new preference stock issued.

In production operations major attention was directed to cost reduction opportunities. As this year's vegetable pack commences, new standard costs are in place which indicate a potential for significant margin improvements. New innovative grower contracts offer more assurance of meeting our raw product cost goals while providing the growers an opportunity to assure healthy profits.

The acquisition of Hoffman House Restaurants was an important highlight of 1975-76. It is a fine company — growing rapidly with excellent operating results. The restaurant field offers exciting growth and diversification opportunities and there is every reason to be optimistic about our ability to compete successfully in this business.

It is probable that the most significant accomplishments of this past year may be the most difficult to describe. We have learned a great deal about our business and how to run it. The Management Committee is maturing rapidly. There is an emerging sense of competence, excitement and purpose. Several people have been added in key management positions.

continued

To Our Shareowners and Employees *continued*

In summary, we are looking forward to a very different kind of year. The economy is stronger and, more important, the vegetable business is in far better health. Consumers are buying and important progress has been made in working down heavy industry overstocks. We have several new products and projects taking shape with excellent long-term potential. The construction of the new sweet corn plant in France is proceeding on schedule. Our plans call for year-to-year sales and earnings gains in all of our divisions.

But the best reason for looking forward to our future relates to the extraordinary skill, spirit and loyalty of the remarkable people who represent Green Giant in the fields, plants, research facilities and offices across the country and abroad. Our future is in their hands — and this is good news. We thank you for your patience and support as we endeavor to write another chapter of a remarkable success story.

Robert C. Cosgrove
Chairman of the Board

Thomas H. Wyman
President and Chief
Executive Officer

June 1976

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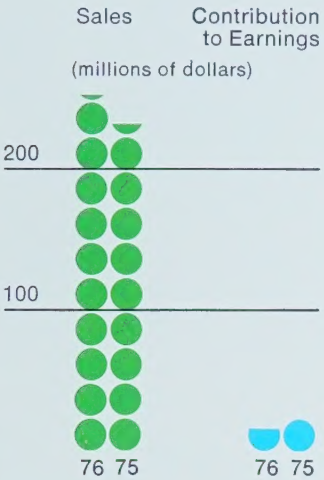
1. The company's continuing strategy of balanced diversification was pursued with the acquisition of Hoffman House Restaurants, Inc., a growing, highly profitable organization of restaurants in Wisconsin, Illinois and Michigan.

2. Leonard A. Barzan, vice president — finance and treasurer, directed the installation of several new cost control programs in fiscal 1976. One involved hedging the company's vegetable grower contracts through offsetting purchases in the futures market.

3. Richard G. Olson (left), was appointed vice president of distribution during the year. The reorganized distribution operations are providing superior service at reduced costs.

Activities Review

USA Grocery Products



Net sales of domestic retail vegetables and entree products were a record $257 million, but a combination of factors added up to an inability to convert these sales into satisfactory earnings.

Fiscal 1976 was a complicated year for this business. Whereas many growing areas had production yields substantially above expectation, the situation in Minnesota and Wisconsin, where we have sizable operations, was quite different. In these areas drought conditions reduced our production volume and adversely affected our costs. As a consequence we found ourselves in a difficult competitive position in a year when our inventory and cost picture was out of step with the industry as a whole.

Through the first half of 1975-76 consumer purchases of many food products, canned and frozen vegetables included, were well below normal levels. This was a function of the sluggish economy and of general resistance to higher prices.

At midyear Green Giant and other major canners took aggressive action to stimulate consumer interest. A combination of lower prices and aggressive promotion was successful in developing increased sales for the industry. We were pleased that

New product development projects were concentrated on a number of high potential opportunities. Left to right: Bob Kellermeier, director of product development; Bill McGrath, director of new products marketing; and Don Osell, vice president — Grocery Products marketing.

our market shares held firm during this period. Although the strong price promotion activity had an adverse effect on margins, it was gratifying to see substantial reductions of the industry's heavy inventories.

Our position in the canned vegetable market is very solid. Green Giant and Le Sueur brand corn and peas continue to command the leading position in the market. Our most dramatic success in 1975-76 was the conclusive emergence of Green Giant Mushrooms as the clear market leader.

Green Giant strengthened its market position as the leading brand of processed mushrooms in the U.S.

Recognizing the importance of converting market share and sales results to improved earnings, we are pleased to report that increased consumer movement permitted us to take modest but broad price increases over recent months. We are optimistic about substantial margin improvements this year in this important product category.

Bake 'n Serve, new vegetable casserole side dishes packed in aluminum trays.

New product activity continues to be focused primarily in the frozen area. We continue to dominate the frozen prepared vegetable market with about 50 percent of this category. Four new lines were introduced or expanded to additional markets during the year.

Le Sueur Brand combinations: tiny peas and other vegetables in sauces.

Green Giant Brand frozen potatoes, five varieties: in different forms in sauces.

Green Giant Southern Style Vegetables: vegetable and seasoning combinations featuring okra, black-eyed peas and butter beans.

Bake 'n Serve: a new line of five vegetable casserole dishes packed in aluminum trays.

Industry sales of single dish frozen entrees improved throughout the year. Although the company's market share of this category is modest, new products in market test and under development should position us for accelerated development of the product line.

International

Green Giant of Canada

In spite of a number of uncertainties in the marketplace, Green Giant of Canada had a very good year. Unit sales were up modestly, but higher vegetable prices contributed to a 13 percent increase in dollar sales and a modest increase in profits. These results were achieved in spite of heavy inflation, a continuing recession and considerable anxiety and confusion over the newly implemented Anti-Inflation Regulation Act.

Green Giant's strength in the canned and frozen prepared vegetable categories is considerable. Our leading market share for canned whole kernel corn reached an all-time high during the year. We are clearly the brand leader in frozen boil-in-bag vegetables and poly bag vegetables.

Our very satisfactory results in Canada were achieved in the face of slightly lower canned vegetable consumption figures and an oversupply condition in the market which served to depress prices and margins.

An expanded marketing program for Green Giant Brand canned corn products in Europe includes consumer magazine advertising in the United Kingdom and outdoor advertising in Germany. Left to right: John M. Stafford, vice president — marketing; Gillian M. Lewis, director of sales, marketing and administration — Europe; Myron Roeder, vice president — International sales and marketing; and Osmond Way, director of sales and marketing — Latin America and Australia.

Our Clark Brand canned stews and baked beans continued to enjoy strong market shares. Sales and earnings for canned baked beans improved significantly. Canned stews are important in Canada. During this year there were gratifying signals of more interest in frozen vegetables and prepared foods.

Our progress with the canned soup line was disappointing. We need more sales and a greater market share in this product area.

Major facilities improvements were implemented at Tecumseh, Ont., and Ste. Martine, Que. These modifications address quality improvements, cost reduction opportunities and environmental requirements. They include four-row corn harvesters, automatic corn huskers, waste treatment aerators, an upgraded effluent irrigation system and a new frozen products distribution system.

It is important to note that our earnings performance in Canada was achieved despite write-off requirements totaling nearly $1 million, primarily due to the write-down of a heavily over- valued inventory of tomato paste.

Europe

Green Giant sales in Europe were substantially below plan. The very severe economic difficulties in the key United Kingdom market impacted heavily on earnings. Given the intense inflation and wage control atmosphere in the U.K., it was remarkable that unit volume sales held at fiscal 1975 levels, but higher costs and major currency exchange losses worked against generating satisfactory profit results.

We have held firmly to our very strong 80 percent market share in the U.K. on sweet corn, and substantial marketing efforts were directed at attracting new users. The campaign included television and print advertising and consumer sampling.

Green Giant also initiated a limited market test last year in Germany, where sweet corn is relatively unknown. The results have been encouraging. Even at this early stage of activity, there is solid evidence of long-term growth opportunities. The potential in other countries on the continent (most notably France) is also substantial.

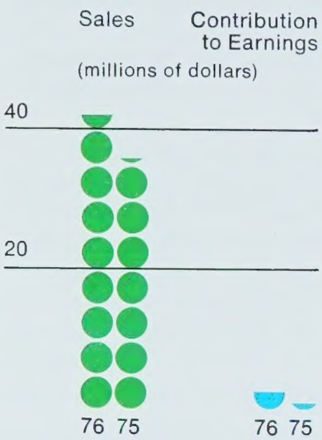
The best evidence of Green Giant's commitment to the European markets was the agreement reached during the fiscal year to build a sweet corn production facility in France in a joint venture agreement with La Cooperative Agricole de Cereales du Bassin de L'Adour (CACBA), a prominent and successful French agricultural cooperative.

Competition is strong in every major Green Giant marketplace in the U.K. and Continental Europe, but the company has taken important steps to establish the Green Giant Brand as a leading force in a part of the world we believe offers significant sales and profit potential. With a stronger International marketing and sales organization now in place, Green Giant is looking beyond difficulties posed by the current economic environment. We are encouraged by the prospects for our development in this area.

Labels from some of the many countries in which Green Giant Brand canned corn products are sold.

Activities Review continued

Restaurants



Hoffman House

The scope of our activities in the rapidly growing restaurant industry was expanded substantially by the acquisition of Hoffman House Restaurants, Inc., a highly successful organization of 11 restaurants located in Wisconsin, Illinois and Michigan. Terms of the acquisition involved the exchange of 385,000 shares of Green Giant common stock for all the stock of Hoffman House, ownership of which was shared by five Hoffman brothers. Francis V. Hoffman, chairman of Hoffman House, has been asked to join Green Giant's Board of Directors.

Located in medium-sized communities and featuring popularly priced menus, liquor service and entertainment, the majority of the Hoffman House units are located in full-service motor hotels. Founded in 1946, the firm joins Green Giant with an outstanding earnings and growth history. In Fiscal 1976, earnings rose 67 percent on a sales increase of 44 percent. Plans are underway to open several new Hoffman House units over the next two years. Expansion opportunities in this group are excellent.

James Moore (right), executive vice president, and Charles Tate, director of marketing, Henrici's Restaurants, Inc.

Henrici's

Earnings of Henrici's Restaurants more than doubled on modestly higher sales, reflecting the success of a comprehensive cost reduction program and the disposition of three marginal units. Primary attention was devoted to Henrici's two basic concepts, Steak & Lobster restaurants and in-hotel dining facilities.

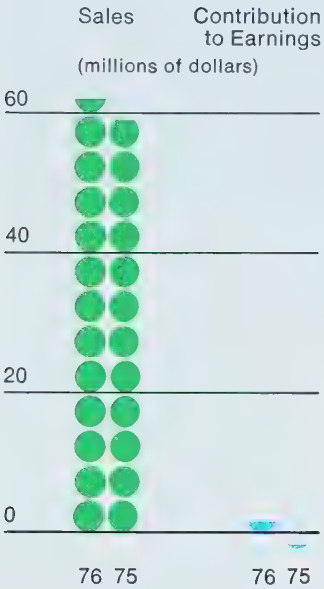
Guest counts were down slightly for the year, but menu price increases were initiated to cover higher operating costs. New marketing efforts have been designed to increase the utilization of these units.

A new Henrici's Steak & Lobster restaurant was opened in January in the St. Louis area. A major remodeling of Henrici's Restaurant in Rockford, Ill., has been very successful. Sales have increased over 25 percent since the remodeling was completed. Major remodeling has been completed at Henrici's in Denver and is in process at the largest Henrici's unit in Chicago's O'Hare Inn.

Having disposed of 17 marginal units since Green Giant acquired Henrici's in 1972, this operation is now well positioned for significant growth. We see improving profits in the current locations and a major five-year development plan has been set out to ensure that we realize our full potential in this business. Both the Henrici's and Hoffman House operations will be enlarged consistent with capital availability, location opportunities and the assurance of achieving adequate return on investment.

Francis V. Hoffman (left), chairman, and Cosmas J. Hoffman, president, Hoffman House Restaurants, Inc.

Meats



Robert K. Knowlton (left), vice president — Meat Operations and president — Schweigert Meat Company, and C. R. VonKronemann, vice president of operations for Schweigert. Smokehouse facilities were expanded at Schweigert this year.

The processed meat operations had their best year since 1972. Having disposed of the Bama Meats business last year, the company was able to show a profit for meat operations in fiscal 1976. This was achieved in spite of difficult market conditions. It was a welcome development after prior year losses.

Schweigert

The key to our success in the meat business was Schweigert Meat Company, which had another excellent year. Sales tonnage has doubled and earnings have doubled since Green Giant acquired Schweigert in 1970. In spite of record high pork prices through the year, Schweigert achieved important sales gains. Schweigert has increased its dominant market share in the Upper Midwest area, but the encouraging development has been the expansion of sales into New York State, Florida and Illinois.

Schweigert's careful attention to product quality has paid off well. Schweigert products command premium prices and distribution is expanding on our planned schedule. Important new products have been added to the Schweigert line, notably four new Supper Sausages (Ham, Bratwurst, Polish and Old Fashioned). A new line of single service lunch meat packages has met encouraging acceptance in test market.

Two new smokehouse facilities have been added at the Minneapolis plant, which is operating at very close to maximum capacity at this time.

Copeland

Results at the Copeland Sausage Co. were not satisfactory. Sales volume was restrained as the state of Florida suffered heavily in the recession with unemployment close to 20 percent. High pork prices affected fresh sausage sales most adversely. We were not as successful as we should have been in responding to this difficult market

Packaging for the Copeland Sausage Co., Inc., product line was given a new look during the year.

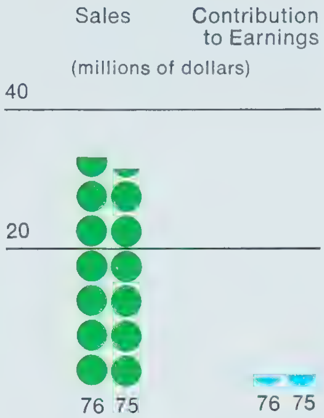
situation, and a management change was made in the third quarter of the fiscal year.

Important changes have been made since. Several modifications have been completed in the organization and operation of production facilities. The focus is on product quality maintenance and cost reduction. The marketing program has been revitalized.

The major decision regarding Copeland has been to invest the capital required to put the Alachua plant under Federal Government Certification. When this certification becomes effective in the autumn of this year, we will be able to expand the Copeland franchise to other Southeastern markets. We will also be able to rationalize production between the Schweigert and Copeland facilities.

Profitable growth is anticipated for both Schweigert and Copeland over the next few years. By concentrating on the expansion of distribution of our successful processed meat items, the company expects to build this business substantially. The potentially high return on capital employed amply justifies this commitment and our expectation.

Food Service



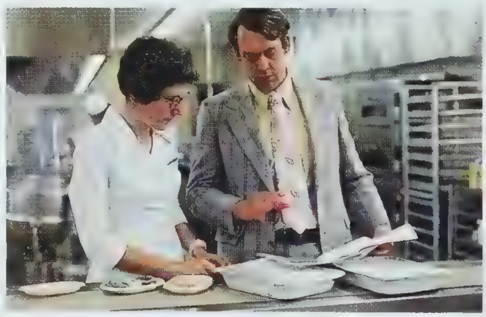
The fiscal 1976 performance in this developing area of our business was well below plan for both sales and earnings. The substantial sales gain which had been projected did not materialize, and the same oversupply/price pressures which were operative in the retail canned vegetable business were felt sharply in food service. At this time the canned vegetable component of Green Giant's food service program is very large, and improved profitability in other parts of the business was offset by the margin squeeze on canned vegetables. For example, the earnings contribution of frozen prepared bulk entrees improved 32 percent on an 18 percent sales increase; both sales and earnings of frozen corn-on-the-cob were up 33 percent; and the contribution of frozen pre-cooked meats increased 68 percent.

But we must recognize the importance of ensuring that this highly prospective and rapidly growing business is put on a properly profitable basis as soon as possible.

Green Giant has a solid base on which to build. The Green Giant Food Service Division is one of the most complete suppliers of centrally distributed food service products in the nation. We are respected for the consistently high quality of our products. As the specialized Green Giant food service marketing and sales groups are being expanded, the company is acquiring a reputation for reliable service, professional problem-solving skills and an orientation to customer needs.

Chicken Royale, a new Food Service Division bulk frozen prepared entree, features chicken with carrots, peas and celery in a creamy chicken sauce.

To meet its growth objectives the Food Service Division is strengthening its field sales and broker organizations. We are advertising and promoting more aggressively. We are introducing a wide variety of new products. We are also centralizing the canned and frozen distribution systems. As dependence on canned vegetable products diminishes as a proportion of the total Green Giant food service activity, the year-to-year profit fluctuations in this area should be considerably smoothed out.



Bob Morrison, manager of health care sales for the Food Service Division, introduces a new bulk frozen prepared entree to Rose Bouton, food service director of Fairview Southdale Hospital, Minneapolis. The Food Service Division markets over 200 products to hospitals and other commercial and non-commercial customers.

Operations

Progress was made during the year to operate Green Giant's widespread processing and related support activities far more efficiently. A rigorous program was launched to cut direct and indirect production costs, and the results to date have been impressive. A consulting service was retained to accelerate our cost reduction programs, but the majority of savings is expected to accrue from internally developed programs — present and future.

The company's Watsonville, Calif., frozen vegetable processing facility was a focal point of productivity efforts. Operated nearly year-round, the plant is labor-intensive and has a critical need for effective supervision and precise scheduling. Improved labor utilization in broccoli processing reduced production costs over 25 percent. Similar techniques are being applied during the 1976 pack season in the company's Glencoe, Minn., and Buhl, Id., processing operations.

The Operations Improvement program was expanded this year. By encouraging Green Giant employees at all levels to participate in making operating suggestions, the company generated and implemented modification representing savings in excess of $1 million in Fiscal 1976. This program has been effective in reaffirming a corporate interest in improving our operating efficiency.

Examples of other Operations Division productivity and cost reduction accomplishments include:

Installation of mechanical brussels sprouts trimmers at Watsonville, resulting in a cost improvement of $420,000.

A reduction of direct plant labor cost per case of green beans at Beaver Dam, Wis., reflecting a major plant expansion completed last year.

A 40 percent reduction of direct material and finished product inventories at the Vineland, N.J., and Belvidere, Ill., frozen foods processing and packaging centers.

The addition of more new four-row corn pickers to replace the less productive two-row machines has increased yields while decreasing labor and maintenance costs. The company now operates 68 four-row corn pickers.

Installation of automatic corn husking machines at plants in Montgomery, Minn., and Buhl, Id.

Employee safety and health is a critical concern, and last year Green Giant was successful in compiling one of its best job safety records ever. The company's Rosendale, Wis., plant was cited by the Wisconsin Canners & Freezers Assn. for 1 million man-hours worked without a lost-time accident.

On the agricultural side, Green Giant developed a successful hedging program for its 1975 Minnesota sweet corn and pea grower contracts which resulted in significant raw product cost improvements. The hedgable Minnesota grower contract helps the company "fix" its range of costs early in the year and permits growers to achieve price levels comparing favorably with their potential return on other commodities.

The implementation of a delayed payments program for raw materials and land rentals was an important innovation in all 1976 contracts. By scheduling payments to more closely coincide with the sale of finished goods inventories, the company will defer expenditures of $14 million in Fiscal 1977.

The Operations Division also reorganized the procurement function under new management. The division has mounted an aggressive, more centralized approach to procurement and early results suggest substantial savings opportunities.

Green Giant vegetables are harvested at "the fleeting moment of perfect flavor," which sometimes occurs late at night.

Research and Development

Major attention was devoted to product improvements and cost reduction. Important research projects included the development of a highly promising new line of consumer products and significant work on a new concept in prepared foods.

Agricultural Research
Green Giant agronomists, bacteriologists and other scientists involved in seed production and research are concerned with the development of new varieties of higher-yielding, disease-resistant vegetables. They have long been recognized as the international leaders in this field.

In fiscal 1976, the agricultural research function contributed significantly to profit improvement. For example, seed for the company's pea, corn, bean and asparagus acreage was produced for $2 million less than the cost of commercially purchased seed.

The company also completed a second year of intensive sweet corn trials in France in connection with the joint venture plant under construction there. Results will identify and characterize prime growing areas and hybrid performance. This research will provide the basis for production which will commence in 1977.

Food Science
This group is responsible for several R & D functions ranging from waste disposal techniques to product safety and evaluation of processing techniques. Fiscal 1976 activities included the completion of product analyses required for internal use and by government regulatory agencies, nutritional analyses of all the company's major food products, and studies of tin and lead concentrations in canned products.

New products are always test-processed in the company's research center pilot plant in Le Sueur, Minn.

Product Development
Several of the many new products and line extensions developed by R & D are discussed in this report (Green Giant Frozen Potatoes, Southern Vegetables, Bake 'n Serve vegetable casseroles, new Holloway House frozen entrees, Clark Brand Tomato Soup and several new Food Service Division frozen bulk entrees). The product development group is responsible for translating ideas into finished products.

Packaging and Engineering Research
Projects completed during the year included evaluation of the company's new two-piece can for canned foods and completion of studies and specifications for a revolutionary new concept in prepared foods packaging.

Quality Assurance
The nation's first major food processor to fully embrace the U.S. Food & Drug Administration's Cooperative Quality Assurance Program, Green Giant consolidated its quality control activities into a centralized department during the year. This newly consolidated group has also begun to play a larger role in connection with contract production operations — both in this country and abroad.

Green Giant produces its own hybrid seeds for sweet corn and peas. For corn alone, over 5000 varieties of seed are sampled and tested every year.

Administration

The company made several organization changes and implemented a series of new programs within the Administration Division in order to reduce costs, improve management skills and evaluate Green Giant's broad contribution to society.

Distribution
Closer attention to cost management in fiscal 1976 enabled Green Giant to deliver the same high-quality distribution service for which it has become known, but on a more economical basis. Reorganized by function, distribution operations were also expanded to include an additional regional distribution center (Cleveland) as well as the full line of Don's Prize meat products.

Actions taken to lower distribution costs during the year included:

Elimination of unnecessary printing on corrugated trays and shrinkfilm used in canned goods packaging, resulting in savings of $350,000.

Installation of improved inventory controls of packaging supplies.

Successful negotiation of railroad freight costs, which will save $500,000 on an annualized basis.

Human Resources
Programs instituted during fiscal 1975 to improve management skills throughout the company were expanded in fiscal 1976. One new program — Performance Appraisal — complements the company's new Management by Objectives Program. It has been successfully implemented and well-received by employees. The program is designed to give employees a clear understanding of how well they are performing their jobs and how they can develop and improve job skills.

Considerable effort is being devoted

Operations Improvement, a team approach to problem solving, draws on the knowledge and skills of employees at all levels. This is one of several programs instituted to reduce costs.

to communicating the scope and content of Green Giant's expanded employee benefits program. Special attention is being devoted to provisions of the new Employee Retirement Income Security Act (ERISA).

The company reacted to the conditions of a depressed economy and poor growing results by reducing costs throughout the organization. One of the most dramatic aspects of this exercise involved a work force reduction to bring payroll costs more in line with sales and earnings.

Social Responsibility
Green Giant took steps during the year to prepare for a greatly expanded commitment to the communities in which the company operates and in which its employees live.

The Public Affairs Committee of the Board of Directors approved management's recommendations for a re-evaluation of the company's approach to issues of social responsibility.

One of the year's major undertakings was the formation of the Corporate Council, a group of employees appointed by top management to assume responsibility for the company's philanthropic program. In addition, steps were taken to begin creating Community Councils at various Green Giant locations to direct the company's social contributions on a local level.

Organization Changes
Two organizational changes were made during the year, extending the transition from a profit center concept to an integrated organization by functional area: There was a reorganization of the distribution operations by function and this group was set up within the Administration Division. The Financial Division was formed. Leonard A. Barzan, vice president—finance and treasurer, reports to Thomas H. Wyman, president and chief executive officer. Jack A. Riedel joined the Financial Division in January as corporate controller and reports to Mr. Barzan.

Other changes included the appointment of several division vice presidents: Edward A. Januschka, Production; Edward L. Hable, Procurement; Richard G. Olson, Distribution; Charles H. Weaver, Meat Operations; and Myron A. Roeder, International Sales and Marketing.

W. Hollis Merrick, who retired December 31 as vice president and assistant to the Chairman of the Board, died February 8. Mr. Merrick was a Green Giant employee for 40 years. His untimely passing was deeply regretted.

Progress is being made to ensure that Green Giant's Affirmative Action program achieves a proper balance of representation at all levels of employment. Sometimes unusual job assignments are a pleasant surprise.

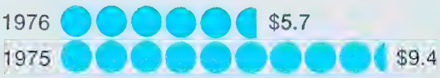
Financial Review
Management's Discussion and Analysis of Operations

Sales and Earnings

Fiscal 1976 vs. 1975

Net sales in the 12 months ended May 29, 1976 increased 9 percent over the 12 months ended March 31, 1975 from $417.2 million to $455.4 million, primarily the result of increases in prices and unit volume of retail vegetable sales in the United States.

Net Sales in millions



Net Earnings in millions

Net earnings were down from $9.4 million, or $2.37 per share, in fiscal 1975 to $5.7 million or $1.26 per share, in fiscal 1976. The reduction was caused mainly by reduced margins on domestic canned vegetables, resulting from excess industry supplies and consumer resistance to higher prices. Green Giant's margins were further aggravated by a short vegetable pack, which increased fixed costs per case.

Lower margins in canned vegetables were the major factors of lower earnings in the Grocery Products U.S.A. and Food Service profit centers. In both profit centers, however, frozen food margins remained comparatively steady. Earnings of processed meats were up because of continuing strength of Schweigert Meat Company and the disposition of the unprofitable Bama Meats operations. These were partially offset by declines at Copeland Sausage Co., Inc., which suffered losses due mainly to depressed sales and margins resulting from high pork prices and a sluggish consumer market in Florida. International earnings were down despite another good year in Canada. Overseas operations, especially sales in the United Kingdom, experienced margin declines which were accentuated by a drop in the exchange value of the pound sterling. Improved sales and earnings were recorded in restaurant operations of both Henrici's Restaurants, Inc., and Hoffman House Restaurants, Inc.

The effective income tax rate during the year was 34 percent, compared with 41 percent last year. The reduction occurred because of a greater relative impact of investment tax credits and a higher percentage of total earnings in Canada which has a lower tax rate.

Interest expense for the entire 1976 fiscal year decreased slightly despite considerably lower interest rates. Interest expense during the first half of the year was considerably above the comparable period of the preceding year, but was more than offset by interest expense reductions in the second half.

Fourth Quarter Fiscal 1976 vs. 1975

Net sales in the three months ended May 29, 1976 were $113.1 million, compared with $115.6 million in the three months ended March 31, 1975.

Net earnings in the fourth quarter of fiscal 1976 were $.6 million or 7 cents per share, compared with $2.4 million or 60 cents per share for the fourth quarter of fiscal 1975.

The most recent quarter's reduced earnings primarily reflected a continuation of the depressed margins in canned vegetables and seasonal sales decreases due to the change in the comparative periods.

Fiscal 1975 vs. 1974

Net sales in fiscal 1975 were $417.2 million, 6 percent over fiscal 1974. This increase reflected progress in all areas of the company's business, with the principal growth in domestic and Canadian retail vegetable products.

In fiscal 1975, growth was inhibited by a combination of several factors: excessively high material costs, below normal crop yields of major vegetable products, price increases which met with consumer resistance during the third and fourth quarters, and discontinued operations.

Net earnings were $9.4 million in fiscal 1975, compared with record earnings of $10.2 million in fiscal 1974. A primary factor contributing to lower net earnings in fiscal 1975 was a 56 percent increase in interest expense resulting from higher interest rates and increased borrowings to support inventories. Sharply increased production costs and provisions for the disposition of Bama Meats also reduced fiscal 1975 earnings.

Because of the lower earnings base in fiscal 1975 and a higher effective income tax rate in 1974, income taxes in 1975 were $3.5 million lower than 1974.

Major Financial Events

Change in Fiscal Year-End

During the year, the company changed its fiscal year-end from March 31 to the last Saturday in May (May 29 in 1976).

As a result of the change, the net operating results for April and May of 1975 (January through May, 1975 results of Hoffman House) were charged directly to retained earnings. Sales in this period were $58.9 million. The net loss was $110,000, due mainly to the sluggish unit sales stemming from a depressed economy, product shortages and higher prices following the poor 1974 growing season; as well as from unrealized exchange losses arising from translation of foreign currencies.

Hoffman House Restaurants, Inc., Acquisition

On May 24, 1976, the company acquired all the shares of Hoffman House Restaurants, Inc., in exchange for 385,000 common shares of Green Giant Company. This combination was accounted for as a pooling of interests and, accordingly,

earnings for the year ended May 29, 1976 were increased by $1,001,000 or 15¢ per share and for the prior year were increased by $598,000 or a decrease of 10¢ per share.

Financing

In December, 1975, the company completed a $37 million private placement financing with nine insurance companies. The objectives of this refinancing were to lengthen the maturities of the company's long-term debt and to improve the company's debt/equity ratio. The company issued $30 million in senior notes and $7 million in Series E preference stock, the proceeds of which were used to repay loans outstanding under a $35 million revolving line of credit and to reduce short-term notes payable.

Container Operations Agreement

In October, 1975, the company assigned the management of its three can manufacturing facilities to a major container manufacturer. Under the agreement, the company was relieved of the financing requirements to self-manufacture tin cans.

Changes In Financial Position

As a result of a planned program, the company's financial position was strengthened in the 12 months ended May 29, 1976; most notably through an improved debt/equity position.

Working Capital

Although net working capital rose only $2.4 million, changes in the components of working capital lessened the dependence upon notes payable.

Cash decreased $24.8 million during the fiscal year mainly because of timing differences in providing compensating balances required by the company's line of credit banks. Also compensating balances were reduced by $7.0 million due to the repayment of loans under a revolving credit agreement.

Despite heavy industry oversupplies of canned vegetables, the company was able to reduce total inventories by $7.8 million, $2.5 million of which was in finished products. Improved inventory control of containers and supplies accounted for the remainder.

Short-term notes payable of $47.9 million at May 31, 1975 were eliminated as of the current fiscal year-end. In addition, given the improved liquidity position, the company had $8.0 million invested in temporary cash investments at May 29, 1976.

Accounts payable rose $22.6 million with essentially all the increase resulting from payables under the container operations agreement. Under the provisions of this agreement, payment is deferred until after the scheduled usage of cans.

Property, Plant and Equipment

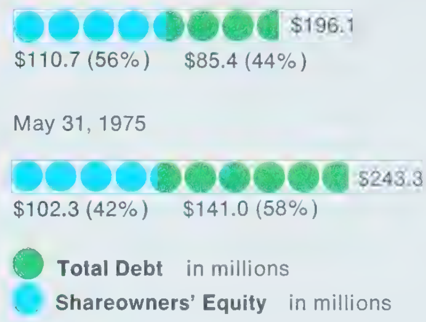
Capital expenditures in the 12 months ended May 29, 1976 were $10.6 million, compared to a total of depreciation expense and reinvested earnings of $8.9 million. Approximately two-thirds of fiscal 1976 capital expenditures were for cost reduction and increased capacity in existing lines of business.

Shareowners' Equity/Dividends

Total shareowners' equity increased $8.4 million in the fiscal year, primarily a result of the Series E preference stock issue. Retained earnings increased by $978,000.

Dividends per common share were $1.08 in both fiscal 1976 and 1975. Total dividends, however, increased from $4.2 million to $4.7 million as a result of issuing additional shares of stock, including 385,000 shares of common stock in connection with the acquisition of Hoffman House Restaurants, Inc., and 70,000 shares of Series E preference stock in connection with the refinancing. Since 1971, total dividends have averaged 54 percent of net earnings.

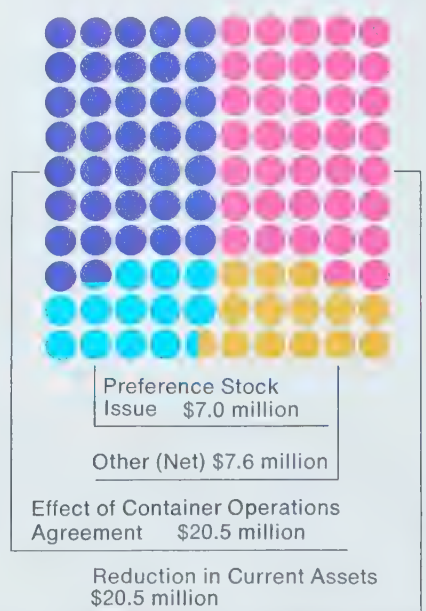
Capital Structure



Debt to Equity

The company's debt/equity position improved significantly in the 12 months ended May 29, 1976. Total short-term and long-term debt as a percent of total debt and equity decreased from 58 percent to 44 percent. The improvement reflects a $55.6 million reduction in total debt and an $8.4 million increase in shareowners' equity. The lower debt resulted from the reduced financing requirements under the container operations agreement, reductions in current assets and the Series E preference stock issue.

Factors of Total Debt Reduction (Net)
12 Months Ended May 29, 1976



Five Year Financial Review and Statistical Summary[1]

(Dollar Amounts In Thousands)

Sales and Earnings	1976	1975	1974	1973	1972
Net Sales	**$455,388**	417,206	394,075	348,599	279,421
Cost of Goods Sold	**342,707**	301,609	283,058	252,730	197,164
Marketing, Distribution & General Expenses	**95,318**	89,044	84,844	75,662	64,406
Interest Expense	**9,711**	9,966	6,387	4,670	4,341
Other (Income) Deductions	**(1,012)**	666	(458)	(127)	(135)
Income Taxes	**2,946**	6,522	10,045	7,615	6,478
Net Earnings	**$ 5,718**	9,399	10,199	8,049	7,167
Results by Lines of Business[2]					
Net Sales					
Grocery Products	**$257,044**	233,236	210,129	189,950	163,579
Food Service	**33,234**	31,501	31,040	26,827	22,630
International	**59,597**	56,030	47,702	39,835	33,277
Meats	**62,925**	59,903	68,853	57,917	52,768
Total Food Processing	**412,800**	380,670	357,724	314,529	272,254
Restaurants	**42,588**	36,536	33,058	31,483	5,488
Total	**$455,388**	417,206	390,782	346,012	277,742
Contribution to Earnings[3]					
Grocery Products	**$ 17,261**	25,448	26,126	22,172	19,276
Food Service	**1,026**	1,288	1,601	1,899	953
International	**4,429**	5,519	5,392	4,576	3,036
Meats	**378**	(123)	233	(2,237)	1,228
Total Food Processing	**23,094**	32,132	33,352	26,410	24,493
Restaurants	**3,471**	1,916	2,119	1,089	(236)
Total	**$ 26,565**	34,048	35,471	27,499	24,257
Per Share Statistics					
Net Earnings					
Primary	**$1.26**	2.37	2.63	2.05	1.89
Fully Diluted	**1.24**	2.15	2.34	1.88	1.80
Dividends	**1.08**	1.08	1.02	1.00	.96
Common Shareowners' Equity	**24.29**	24.40	23.24	21.78	20.34
Financial Position					
Working Capital	**$125,837**	124,971	84,116	76,314	66,238
Property, Plant and Equipment	**73,694**	70,955	70,243	66,149	59,062
Other Assets	**3,003**	4,663	4,007	6,326	4,468
Total Capital Employed	**202,534**	200,589	158,366	148,789	129,768
Less: Long-Term Debt	**83,908**	90,590	53,662	51,513	46,271
Less: Other Liabilities	**7,962**	6,569	6,688	5,851	5,421
Total Shareowners' Equity	**$110,664**	103,430	98,016	91,425	78,076

General	1976	1975	1974	1973	1972
Capital Expenditures	$ 10,555	13,645	13,586	11,194	10,409
Depreciation	$ 7,939	8,148	7,599	7,419	6,139
Total Dividends(4)	$ 4,740	4,240	4,037	3,915	3,702
Earnings Reinvested	$ 978	5,159	6,162	4,134	3,465
Average Shares of Common Stock Outstanding	3,681	3,642	3,586	3,534	3,559
Number of Common Shareowners	9,748	9,616	9,050	8,840	8,553
Number of Employees	7,234	7,287	6,511	5,907	5,114
Operating and Financial Ratios					
Net Earnings—% of Net Sales	1.3%	2.3%	2.6%	2.3%	2.6%
% Return on Common Shareowners' Equity	5.2%	10.2%	12.0%	10.0%	9.6%
Current Ratio	3.2-1	2.9-1	2.7-1	2.7-1	2.7-1
% Total Debt to Shareowners' Equity and Total Debt	43.6%	55.5%	42.0%	43.9%	45.3%

Quarterly Stock Price and Dividend Rate— 1976 and 1975(5)

Common Dividends Per Share			1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Total Year
		—1976	$ .27	.27	.27	.27	$1.08
		—1975	$ .27	.27	.27	.27	$1.08
Stock Price	High	—1976	19⅜	18¼	17	18¼	19⅜
		—1975	23⅛	19	16¾	19⅛	23⅛
	Low	—1976	16¾	15⅝	14⅜	15½	14⅜
		—1975	19¼	14	12½	12¾	12½

(1) Comparative figures from 1972 have been restated to include the accounts of Hoffman House Restaurants, Inc. on a pooling of interests basis.
(2) Performance of the discontinued Home and Garden Centers Division is not portrayed.
(3) Contribution to Earnings is before the deduction of corporate expenses, interest expense, income taxes and an extraordinary item in 1972.
(4) Includes dividend paid by pooled company in 1972.
(5) 1976 quarters based upon a May 29 year-end; 1975 quarters based upon a March 31 year-end.

Accountants' Report

The Board of Directors and Shareowners
Green Giant Company:

We have examined the consolidated balance sheets of Green Giant Company and subsidiaries as of May 29, 1976 and March 31, 1975, and the related consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Green Giant Company and subsidiaries at May 29, 1976 and March 31, 1975, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat, Marwick, Mitchell & Co.
Minneapolis, Minnesota
July 19, 1976

Consolidated Statements of Earnings

Years ended May 29, 1976 and March 31, 1975

	1976	1975
Net sales	$455,388,002	417,205,793
Costs and expenses:		
Cost of goods sold	342,707,407	301,609,479
Marketing, distribution and general expenses	95,317,854	89,044,310
Interest expense	9,711,054	9,965,835
Other (income) deductions, net (note 3)	(1,012,012)	665,572
Income taxes (note 7)	2,946,000	6,521,864
Total	449,670,303	407,807,060
Net earnings	$ 5,717,699	9,398,733
Earnings per share of common stock and common stock equivalents	$ 1.26	2.37
Earnings per share of common stock assuming full dilution	$ 1.24	2.15

Consolidated Statements of Retained Earnings

Years ended May 29, 1976 and March 31, 1975

	1976	1975
Retained earnings at beginning of year, as previously reported	$ 66,254,583	61,829,010
Pooling of interests	1,592,336	994,810
Retained earnings at beginning of year, as restated	67,846,919	62,823,820
Net earnings (loss):		
Periods ended May 31, 1975 (note 2)	(109,968)	—
Years ended May 29, 1976 and March 31, 1975	5,717,699	9,398,733
Charge arising from purchase of 2,000 shares of Series C convertible preference stock	—	(135,269)
Dividends declared:		
Period ended May 31, 1975	(1,066,049)	—
Years ended May 29, 1976 and March 31, 1975:		
Preferred stock	(120,295)	(120,295)
Preference stock — Series E	(367,890)	—
Convertible preference stock	(755,563)	(779,561)
Common stock — $1.08 per share	(3,496,398)	(3,340,509)
	(4,740,146)	(4,240,365)
Retained earnings at end of year	$ 67,648,455	67,846,919

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheets

May 29, 1976 and March 31, 1975

Assets	**1976**	1975
Current assets:		
Cash	$ 6,304,095	12,748,660
Temporary cash investments at cost, which approximates market	7,978,327	—
Receivables from customers and others, less allowance for doubtful accounts (note 4)	28,550,170	35,499,377
Refundable income taxes	2,201,212	—
Inventories (note 4):		
Finished products	67,903,553	75,882,360
Containers and supplies	52,949,055	60,401,963
Prepaid expenses	16,145,965	7,546,904
Total current assets	182,032,377	192,079,264
Property, plant and equipment at cost, less accumulated depreciation (note 5)	73,694,343	70,955,202
Deferred charges and other assets	3,003,274	4,663,124
	$258,729,994	267,697,590

Liabilities and Shareowners' Equity

Current liabilities:		
Notes payable (notes 4 and 6)	$ —	35,220,000
Current maturities of long-term debt	1,540,446	3,285,252
Accounts payable	41,170,871	17,776,277
Accrued expenses	11,714,432	10,076,365
Dividends payable	1,399,425	—
Income taxes	369,897	750,447
Total current liabilities	56,195,071	67,108,341
Deferred income taxes	7,631,008	6,269,568
Long-term debt, less current maturities (note 6)	83,908,373	90,589,602
Minority interest in subsidiary	331,916	300,258
Commitments and contingencies (notes 11 and 12)		
Shareowners' equity (notes 6, 8 and 9):		
Preferred stock	2,405,900	2,405,900
Preference stock Series E	7,000,000	—
Convertible preference stock (involuntary liquidation share of net assets at May 29, 1976, $15,048,505)	288,828	293,982
Common stock	26,031,669	25,516,749
Additional paid-in capital	7,288,774	7,366,271
Retained earnings	67,648,455	67,846,919
Total shareowners' equity	110,663,626	103,429,821
	$258,729,994	267,697,590

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

Years ended May 29, 1976 and March 31, 1975

Funds provided:	1976	1975
Net earnings	$ 5,717,699	9,398,733
Add (deduct):		
Depreciation	7,939,173	8,148,159
Deferred income taxes	1,337,681	(154,064)
Provision for loss on processing facility	—	1,287,617
Sundry	650,195	442,149
Funds provided by operations	15,644,748	19,122,594
Additions to long-term debt	30,100,000	50,000,000
Proceeds on disposal of property, plant and equipment	808,639	2,622,072
Preference stock Series E issued	7,000,000	—
Common stock issued to employees	432,298	412,840
Decrease (increase) in deferred charges and other, net	602,950	(345,078)
Total funds provided	54,588,635	71,812,428

Funds used:		
Dividends	4,740,146	4,240,365
Additions to property, plant and equipment	10,555,182	13,644,667
Reduction of long-term debt	36,913,106	13,072,870
Total funds used	52,208,434	30,957,902
Increase in working capital	$ 2,380,201	40,854,526

Changes in components of working capital:		
Increase (decrease) in current assets:		
Cash	$(24,845,413)	3,568,212
Temporary cash investments	7,978,327	—
Receivables	2,141,500	7,031,832
Refundable income taxes	2,201,212	—
Inventories	(7,847,140)	46,555,639
Prepaid expenses	(139,531)	2,595,506
	(20,511,045)	59,751,189
Increase (decrease) in current liabilities:		
Notes payable	(47,929,404)	20,609,000
Current maturities of long-term debt	(858,584)	447,064
Accounts payable	22,592,905	(1,953,430)
Accrued expenses	3,090,003	2,151,752
Dividends payable	333,376	—
Income taxes	(119,542)	(2,357,723)
	(22,891,246)	18,896,663
Increase in working capital	$ 2,380,201	40,854,526

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

May 29, 1976 and March 31, 1975

1 Summary of Accounting Policies

Reporting and Consolidation

The accompanying consolidated financial statements include the results of operations and the accounts of Green Giant Company and its wholly-owned and majority-owned subsidiaries. All material intercompany accounts and transactions are eliminated in consolidation.

The Company uses the equity method of accounting for its investment in a 50%-owned joint venture.

Accounts stated in foreign currencies are translated into U.S. dollars as follows:

- Current assets and current liabilities at the current rates.
- All other assets and liabilities at historical rates.
- Income and expense items (except depreciation which is translated at historical rates) at average rates prevailing during the year.

Currency exchange adjustments are included in current year results.

Inventory Valuation

Finished products are valued at the lower of cost (first-in, first-out) or market. Cost includes raw materials, direct materials, direct labor and processing overhead and is reduced by earnings from sales of by-products.

Containers and supplies are valued at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment

A portion of the cost of buildings, machinery and equipment is charged against earnings each year as depreciation expense.

For financial reporting purposes, the straight-line method of depreciation is used. This method expenses equal amounts of depreciation against operations each year during the useful lives of the buildings, machinery and equipment.

For tax purposes, accelerated methods of depreciation are used. These methods expense more depreciation in the early years than in the later years of the useful lives of the buildings, machinery and equipment.

Expenditures for maintenance, repairs, renewals and betterments which do not add to the original value or materially extend the useful lives of the related assets are charged against earnings as incurred.

Income Taxes

Deferred income taxes are appropriately provided based on timing differences between taxable income and pretax accounting income as shown in note 7.

Investment tax credits are recorded as a reduction of income tax expense in the year the assets are acquired.

It is the present intention of the Company to reinvest the earnings of its foreign subsidiaries and accordingly, U.S. income taxes are not provided on such undistributed earnings.

Other

Prepaid expenses include costs of growing crops which are deferred until time of harvest.

Costs of developing asparagus beds and of the right to production from asparagus beds, included in deferred charges and other assets, are amortized over the expected productive lives.

Costs of merchandising programs are estimated by experience factors and provided in the year of the related sales.

Earnings Per Common Share

Earnings per share of common stock and common stock equivalents is determined by dividing (1) net earnings less dividend requirements on the Series A, B, D and E preference stock and preferred stock by (2) the weighted average number of common shares and common share equivalents (Series C preference stock and dilutive stock options) outstanding.

Earnings per share of common stock assuming full dilution is determined by dividing (1) net earnings plus interest expense on the convertible debentures less dividend requirements on preferred stock and Series E preference stock and the effect of income tax provisions by (2) the weighted average number of common shares outstanding plus the number of shares issuable upon conversion of convertible debentures and convertible preference stock to common stock, plus the number of shares issuable under outstanding stock options which would be dilutive in effect.

2 Change in Fiscal Year

The Company has changed its fiscal year from March 31 to the last Saturday in May. The combined net sales and net earnings (loss) of Green Giant Company and subsidiaries (prior to pooling) for the two months and of Hoffman House Restaurants, Inc. for the five months ended May 31, 1975 amounted to $58,935,023 and $(109,968), respectively. The combined net loss for the transition period has been charged directly to retained earnings in the accompanying consolidated financial statements.

Notes to Consolidated Financial Statements

3 Acquisition and Disposition

On May 24, 1976, the Company acquired all the outstanding shares of Hoffman House Restaurants, Inc. in exchange for 385,000 shares of the Company's common stock. This combination has been accounted for as a pooling of interests. Accordingly, the 1976 consolidated statement of earnings includes net sales and net earnings of Hoffman House Restaurants, Inc. of $16,403,650 and $1,001,045, respectively, for the entire year. The 1975 financial statements have been restated, increasing previously reported 1975 net sales by $11,378,156 and previously reported 1975 net earnings by $597,526, and reducing earnings per share of common stock and common stock equivalents by $.10 ($.05 per share of common stock assuming full dilution).

During August 1974, the Company closed its Bama Meats processing facility. Sales of the Bama Meats operations included in the accompanying consolidated statement of earnings for 1975 were $4,670,000 with resultant operating loss before income taxes of $1,209,000. In addition, other (income) deductions for 1975 include a $1,472,617 provision for loss on disposal of such processing facility; related income tax credits amounted to $647,534.

4 Non-U.S. Subsidiaries

In accordance with the usual practice under provisions of the Canadian Banking Act, the Canadian subsidiary is required to pledge its inventories and receivables to secure short-term indebtedness to banks. At May 29, 1976, the Canadian subsidiary had no short-term indebtedness to banks.

At May 29, 1976, the undistributed earnings of the non-U.S. subsidiaries for which no U.S. income taxes have been provided by the Company amounted to approximately $19,600,000.

Net earnings for 1976 and 1975 include $625,531 and $111,046, respectively, representing unrealized exchange gains arising from foreign currency translation.

The Financial Accounting Standards Board has issued a statement on foreign currency translation which was adopted by the Company on May 30, 1976 and will require restatement of prior years' financial statements. If the Company had adopted these new requirements on May 29, 1976, net earnings would have changed as follows:

	Years ended May 29, 1976	Years ended March 31, 1975
Net earnings increase (decrease)	**$(1,246,965)**	392,957
Earnings per share of common stock and common stock equivalents	**(.34)**	.11
Earnings per share of common stock assuming full dilution	**(.32)**	.09

Net loss for the periods ended May 31, 1975 would have decreased by $290,369 and retained earnings at March 31, 1974 would have been increased by $5,535.

5 Property, Plant and Equipment

Property, plant and equipment consists of the following:

	1976	1975
Land and land improvements	**$ 5,199,125**	4,636,506
Buildings	**42,887,286**	41,047,306
Machinery, equipment and fixtures	**69,948,980**	66,297,275
Construction in progress	**4,777,916**	2,795,873
	122,813,307	114,776,960
Less accumulated depreciation	**49,118,964**	43,821,758
	$ 73,694,343	70,955,202

6 Long-term Debt and Notes Payable

Long-term debt consists of the following:

	1976	1975
4¼% convertible subordinated debentures, due August 1, 1992	**$ 12,000,000**	12,000,000
5% Series B notes, due $900,000 annually to 1981 and $3,100,000 on December 31, 1982	**8,500,000**	9,400,000
10¾% promissory notes, due $2,500,000 annually December 15, 1979 to 1990	**30,000,000**	—
Revolving credit loans	**—**	35,000,000
7½% notes, due May 15, 1981	**7,500,000**	7,500,000
8⅛% notes, due $1,000,000 annually September 1, 1978 to 1987	**10,000,000**	10,000,000
10⅜% notes, due $1,875,000 annually October 1, 1979 to 1986	**15,000,000**	15,000,000
Sundry notes and contracts with stated interest rates from 4¾% to 12¾%, due in varying installments to 1982	**2,448,819**	4,974,854
	85,448,819	93,874,854
Less current maturities	**1,540,446**	3,285,252
	$ 83,908,373	90,589,602

Aggregate annual maturities and sinking fund payments of long-term debt for each of the five fiscal years following May 29, 1976 are as follows: 1977, $1,540,446; 1978, $2,012,641; 1979, $2,869,164; 1980, $7,207,170; and 1981, $14,680,393.

The 4¼% subordinated debentures are convertible into shares of common stock at $42.10 per share, as adjusted under antidilution provisions. On July 31, 1977, the Company is required to begin making annual sinking fund payments equal to 5% of the principal amount of debentures outstanding on July 31, 1976.

On December 1, 1975, the Company issued $30,000,000 of 10¾% promissory notes due December 15, 1990 and $7,000,000 (70,000 shares of $1 par value) of $11.00 Series E preference stock. Most of the proceeds were used to retire the $35,000,000 of loans outstanding under the revolving credit and term loan agreement, which was then cancelled. The Company is required to redeem the Series E preference stock at $100 per share in approximately equal annual installments over twelve years beginning December 15, 1979.

In addition to requiring maintenance of working capital, average compensating cash balances, a 150% current asset ratio and other covenants, the long-term debt agreements contain provisions restricting the payment of cash dividends and the purchase or redemption by the Company of shares of its capital stock. At May 29, 1976, the amount of unrestricted retained earnings was approximately $8,802,000 and working capital exceeded the required minimum, as defined, by approximately $48,879,000.

The Company has maintained average compensating cash balances with various banks under agreements and informal arrangements relating to support of domestic short-term seasonal lines of credit, the 7½% long-term notes, and revolving credit and term loans (cancelled December 23, 1975). Cash withdrawal by the Company is not legally restricted under any of the arrangements. The average compensating cash balance requirement for the year ended May 29, 1976, based on a range of 10%-20% of average related long-term debt and 10%-15% of short-term seasonal lines of credit outstanding during the year, was approximately $6,000,000 after adjustment for estimated average float.

7 Income Taxes

Income tax expense consists of the following:

	Current	Deferred	Total
1976:			
Federal	$ 131,345	917,947	1,049,292
Foreign	1,169,000	249,000	1,418,000
State	307,974	170,734	478,708
Total	$1,608,319	1,337,681	2,946,000
1975:			
Federal	$4,650,725	(204,771)	4,445,954
Foreign	1,320,968	102,803	1,423,771
State	704,235	(52,096)	652,139
Total	$6,675,928	(154,064)	6,521,864

Differences between the statutory Federal income tax and the actual provision for income taxes are explained as follows:

	1976		1975	
	Amount	**Rate**	Amount	Rate
Statutory Federal income tax	**$4,158,576**	**48.0%**	$7,641,887	48.0%
Foreign income subject to lower foreign income tax	**(502,208)**	**(5.8)**	(648,247)	(4.1)
Investment tax credits	**(896,137)**	**(10.4)**	(676,992)	(4.2)
State income taxes, net of Federal income tax benefit	**248,928**	**2.9**	339,112	2.1
Other	**(63,159)**	**(.7)**	(133,896)	(.8)
Provision for income taxes	**$2,946,000**	**34.0%**	$6,521,864	41.0%

Deferred income tax expense (credit), resulting from timing differences between taxable income and pretax accounting income, is as follows:

	1976	1975
Accelerated depreciation in excess of straight-line depreciation	**$ 888,276**	638,470
Provision for loss on disposal of processing facility	**647,534**	(647,534)
Tax loss for period of change in fiscal year	**(270,000)**	—
Real estate lease cancellation	**—**	(145,000)
Other	**71,871**	—
Deferred income tax expense (credit)	**$1,337,681**	(154,064)

Notes to Consolidated Financial Statements

8 Shareowners' Equity

Authorized capital stock of the Company consists of 6,000,000 shares of common stock (without par or stated value), 50,000 shares of 5% cumulative preferred stock of $100 par value per share (callable at $110 per share) and 1,000,000 shares of preference stock of $1 par value per share. Common shares outstanding at May 29, 1976 and March 31, 1975, as restated for the pooling of interests, were 3,549,242 and 3,506,788, respectively.

A summary of changes in capital stock and additional paid-in capital is as follows:

	5% cumulative preferred stock	Preference stock Series E	Convertible preference stock	Common stock	Additional paid-in capital
Balance at March 31, 1974	$2,405,900	—	302,264	24,223,856	7,566,411
Pooling of interests	—	—	—	694,582	—
Balance at March 31, 1974, as restated	2,405,900	—	302,264	24,918,438	7,566,411
Shares issued under Employee Stock Purchase Plan (34,457 shares)	—	—	—	412,840	—
Shares issued upon conversion of preference stock (11,089 common shares)	—	—	(6,282)	190,491	(184,209)
Shares purchased by the Company:					
200 common shares	—	—	—	(5,020)	—
2,000 Series C preference shares	—	—	(2,000)	—	(15,931)
Balance at March 31, 1975, as restated	2,405,900	—	293,982	25,516,749	7,366,271
Shares issued under Employee Stock Purchase Plan (29,001 shares)	—	—	—	432,298	—
Shares issued upon conversion of preference stock (13,453 common shares)	—	—	(5,154)	82,622	(77,497)
Shares issued under Note and Stock Purchase Agreement (70,000 shares)	—	7,000,000	—	—	—
Balance at May 29, 1976	$2,405,900	7,000,000	288,828	26,031,669	7,288,774

Rights and preferences on the preference stock, which were established by the Board of Directors, are summarized as follows:

	Series A	Series B	Series C	Series D	Series E
Annual cumulative dividend per share	$ 4.75	4.75	3.84	1.76	11.00
Conversion ratio into common stock (also ratio of sharing with common stock in event of involuntary liquidation)	3.5	3.5	4.0	1.4	—
Voluntary liquidation and redemption price per share	$103 (a)	103 (a)	112 (b)	40 (c)	(d)
Shares outstanding:					
May 29, 1976	32,000	24,036	37,500	195,292	70,000
March 31, 1975	32,000	27,007	37,500	197,475	—

(a) Currently redeemable by the Company at any time.

(b) Holders of these shares may require the Company to redeem the shares at $112 per share, in five equal annual installments, beginning in June, 1977 and ending in June, 1981. The Company may redeem these shares at $115 per share to June, 1978, and at $112 per share thereafter.

(c) Redeemable by the Company at any time after April 1, 1975.

(d) Required to be redeemed by the Company at $100 per share in approximately equal annual installments over twelve years beginning December 15, 1979.

At May 29, 1976, the number of common shares reserved is as follows:

Conversion of preference stock	619,535
Conversion of 4¼% subordinated debentures	285,036
Stock options outstanding	68,105
Stock options available for future grants	97,895
Employee stock purchase plan options available for future grants	60,243
Total reserved	1,130,814

9 Stock Option and Stock Purchase Plans

Options to purchase shares of the Company's common stock have been granted to officers and other key employees under the Company's 1969 and 1974 stock option plans. Options granted under the 1974 plan include options which can be exercised, in whole or in part, either as qualified or as non-qualified options, at the discretion of the recipient. Qualified stock options are granted at prices not less than 100% of fair market value at dates of grant and are exercisable over a maximum of five years from dates of grant. Non-qualified stock options are granted at prices which may be less than 100% of fair market values at dates of grant and are exercisable during and over a period not to exceed ten years. Stock appreciation rights which entitle holders to receive common shares or cash determined pursuant to formula in lieu of common shares under related non-qualified stock options, may be granted concurrently with specific non-qualified stock options and mature five years after the dates of grant. Compensation costs with respect to stock appreciation rights are charged to earnings. Changes in outstanding options during the years ended May 29, 1976 and March 31, 1975 are summarized as follows:

	Shares	Aggregate option price
Shares under option at March 31, 1974 at prices from $21.00 to $27.38	66,600	$1,724,408
Options granted: 1975 at prices from $14.00 to $16.88	60,705	924,908
Options cancelled and expired: 1975 at prices from $14.00 to $27.13	(47,700)	(1,209,576)
1976 at prices from $14.00 to $25.69	(11,500)	(224,100)
Shares under option at May 29, 1976 at prices from $14.00 to $27.38	68,105	$1,215,640
Shares exercisable at May 29, 1976 at prices from $14.00 to $27.38	28,572	$ 566,279

Under terms of the Employee Stock Purchase Plan, all regular employees of the Company and its subsidiaries are granted options to acquire the Company's common stock through a payroll deduction plan. The terms of the plan are five years, to be operated in one or more phases of one year each. Options are granted at 90% of the fair market value on the date the phase begins or on the date the phase terminates, whichever is lower. Changes in outstanding and currently exercisable options during the years ended May 29, 1976 and March 31, 1975 are summarized as follows:

	Shares	Option price
Shares under option at March 31, 1974	47,637	$18.00
Options granted:		
1975	—	—
1976	42,215	15.81
Options cancelled:		
1975	(13,180)	18.00
1976	(13,214)	15.81
Options exercised:		
1975	(34,457)	11.98
1976	(29,001)	14.91
Shares under option at May 29, 1976	—	$ —

10 Pension and Retirement Plans

The Company has pension plans covering substantially all full-time salaried and nonsalaried employees and officers of the Company and its subsidiaries. The actuarially determined cost of the plans charged to earnings amounted to $2,197,648 and $1,785,858, respectively, for 1976 and 1975. There are no past service costs associated with these plans. The Company's policy is to fund accrued pension costs. The vested benefits are fully funded. Effective April 1, 1975, the Company adopted amendments to the pension plans in compliance with "The Employee Retirement Income Security Act of 1974" (ERISA). Such amendments will not significantly increase the cost of these plans. The Company concurrently adopted a contributory employee savings plan amendment to the existing noncontributory profit sharing retirement plan. Charges to earnings under such plan amounted to $498,898 and $1,354,008, respectively, for 1976 and 1975, including $552,547 representing an elective portion paid in cash directly to employees in 1975.

Notes to Consolidated Financial Statements

11 Leased Assets

The Company uses plant and restaurant facilities, warehouse, crop land, and plant and field equipment under leases which expire over the next 36 years. Some of these leases are "financing" leases which, during the noncancellable lease period, either cover 75% or more of the economic life of the properties, or have terms which assure the lessors full recovery of their investments at the inception of the leases plus a reasonable return on their investments. Total rental expense charged against earnings in the years ended May 29, 1976 and March 31, 1975 was as follows:

	1976	1975
Financing leases:		
Contingent rentals	**$ 507,676**	434,330
Minimum rentals	**5,093,234**	4,619,757
Sublease rentals	**(403,017)**	(362,207)
	5,197,893	4,691,880
Other leases:		
Contingent rentals	**776,169**	586,105
Minimum rentals	**11,154,412**	10,142,343
Total rental expense	**$17,128,474**	15,420,328

Approximate future minimum rental commitments (excluding property taxes, maintenance, insurance and amounts based on crop yields or usage) under all noncancellable leases as of May 29, 1976 are as follows:

	Type of property			Total	
	Land and land improvements	Buildings	Machinery, equipment & fixtures	Non-capitalized financing leases	Other leases
1977	$ 3,729,000	2,536,000	3,464,000	4,730,000	4,999,000
1978	2,552,000	2,608,000	3,137,000	4,346,000	3,951,000
1979	1,890,000	2,550,000	2,846,000	4,029,000	3,257,000
1980	1,544,000	2,349,000	2,616,000	3,802,000	2,707,000
1981	1,326,000	2,195,000	2,069,000	3,309,000	2,281,000
1982-86	4,495,000	8,676,000	6,545,000	12,147,000	7,569,000
1987-91	1,912,000	4,223,000	1,414,000	5,300,000	2,249,000
1992-96	144,000	1,189,000	3,000	454,000	882,000
Thereafter	370,000	735,000	—	862,000	243,000
	$17,962,000	27,061,000	22,094,000	38,979,000	28,138,000

The above rental commitments have been reduced by approximately $3,223,000 for noncancellable sublease rentals, all of which are applicable to noncapitalized financing leases.

Of the total future minimum rental commitments of $67,117,000, $28,287,000 represents subsidiary company leases not guaranteed by the parent company.

A summary of the approximate present values of future commitments for all noncapitalized financing leases at May 29, 1976 and March 31, 1975 is as follows:

	Interest Rates Used				
		Weighted Average			
	Range	1976	1975	1976	1975
Land and land improvements	4.0-10.0%	**7.9%**	7.8%	**$ 3,328,000**	3,410,000
Buildings	4.0-10.1	**7.7**	7.6	**7,901,000**	8,145,000
Machinery, equipment and fixtures	2.5-29.0	**10.3**	10.0	**14,906,000**	14,577,000
				26,135,000	26,132,000
Present value of rentals to be received from existing non-cancellable subleases				**2,075,000**	2,053,000
Net present value				**$24,060,000**	24,079,000

Of the total net present value of noncapitalized financing leases of $24,060,000 at May 29, 1976, $10,026,000 represents subsidiary company leases not guaranteed by the parent company.

If all financing leases were capitalized, related lease rights were amortized on a straight-line basis and interest costs accrued on the basis of the outstanding lease liability, net earnings would not have been materially affected for the years ended May 29, 1976 and March 31, 1975.

12 Other Commitments and Contingencies

During August 1975, the Company entered into a 50% joint venture agreement with a French agricultural cooperative to process canned sweet corn for the European market. Under terms of the agreement, the Company is to provide approximately $750,000 for the construction of processing facilities. The Company has also agreed to guarantee one-half (approximately $1,600,000 U.S. dollar equivalent) of loans to the joint venture.

Commitments for purchase or construction of property, plant and equipment aggregated approximately $5,400,000 at May 29, 1976.

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James W. Davant
Chairman and Chief Executive Officer, Paine, Webber, Jackson and Curtis, Inc. (financial services)

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(development capital company)

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Woman's Day Magazine
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Hopkins, Minn. (supermarket chain)

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2. Executive Committee
3. Personnel Committee
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William A. Williams, *Vice President, Container Operations*

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Winston B. Eagen, *Executive Vice President*

Cecil A. Farrow, *Vice President*

Maurice O'Flynn, *Vice President*

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Charles H. Weaver, *Vice President, Marketing*

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Dean R. Jenison, *Vice President and General Manager*

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